

THE ECONOMIC IMPACT OF SEATTLE'S MUSIC INDUSTRY

EXECUTIVE SUMMARY

A Report for the City of Seattle's Office of Economic
Development



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The City of Seattle's Office of Economic Development, as part of its effort to develop a unified, coordinated economic development strategy, commissioned a number of studies to assess the economic impact of select industries in which Seattle has a competitive advantage. This report provides an analytical assessment of Seattle's music cluster.

Seattle's music industry cluster is composed of both for-profit components, which dominate business activity in the cluster, and a host of non-profit organizations that also employ many people and play a key role in our local cultural scene. The industry has a strong cohort of proprietors, and is dominated by small businesses. At the core of this industry are musicians and composers, whose music is performed in venues that range from the Key Arena to over one hundred clubs to churches in every neighborhood of the city. This sector touches our lives every day through media such as radio, television, cable, street musicians, in recordings, and through live performances. There is a vast array of support services associated with the industry, and hundreds of retail stores distributing music-related products. The industry has a major education and training component present in the K-12 school and higher education system, as well as through private teaching and performing organizations.

The "core" of Seattle's music industry (core is defined as actively contributing to music production) generates nearly 8,700 direct jobs in over 2,600 businesses. These jobs provide an average annual wage of \$22,771, and contribute \$197.3 million in labor income. An additional 2,000 individuals are employed in 335 music-related businesses, with labor income of almost \$70 million. In combination, both the core and supporting industries support nearly 10,700 jobs in nearly 3,000 businesses contributing \$266 million in labor income. A key trend identified by interviewees was the increase in independent artists, and simultaneously the low wages paid to performers. As a result, many people working in the industry have multiple employers and sources of income. For example, many musicians work for the Seattle Symphony, the Seattle Opera, and Pacific Northwest Ballet. These musicians also engage in recording activity for films and games. Many people who provide instruction to music students also engage in performance, and may sell recordings on independent labels. The combined income from these multiple sources of work creates higher earnings than average wage figure of \$22,771.

Proprietors indicated that few of them anticipate their employment status to change, but businesses with employees have experienced and expect to experience continued growth in employment. The current local economic downturn was identified as a challenge, but most businesses were optimistic about recovery when the economy picks up.

Total sales by the core components of the Seattle music industry businesses approach \$650 million annually. Adding in the supporting industries, total sales rise to nearly \$1.3 billion. Royalty and recording income that is reported to the Internal Revenue Service is included with these estimates of sales and labor income.

These figures are likely conservative estimates of business activity in this industry, because of the complexities associated with measuring all of its constituent parts.

In addition to the direct economic impacts described above, the music industry has significant indirect effects on the local economy through multiplier relationships.

Many communities rely on cultural organizations and music as an anchor for economic development, and strong cultural offerings are often cited as a big factor in a city's quality of life. The notion of a cultural cluster, or a music-based cluster creating an identity for a region or a community, is a strategy used in a number of places to draw more visitors to the community for cultural or musical experiences and to provide a dynamic community for its residents. This quality of life element plays crucial role in a company being able to attract the best and brightest work force to a city and strongly influences corporations' choice in where to expand and relocate their businesses. As such, the Seattle music community may be one of the city's most important strategic assets.

A key asset of the city for the music industry is the well-educated population that likes to consume music. Many industry participants argued that Seattle has a position of competitive advantage in this industry related to a combination of technology, training, relatively low costs, the legacy of the grunge/Nirvana scene, and the strong level of support for music in the community. Live performance venues, recording venues, training and education, and equipment suppliers and repair services were all judged to be of high quality and very important to members of the industry.

A number of music industry leaders were interviewed for this study. Interview respondents highlighted the following challenges for Seattle music industry:

- The City's tax structure
- Seattle's perceived geographical isolation
- Traffic congestion
- An unstable local economy

Although interview respondents perceived these liabilities as difficult to overcome, they saw opportunities for the City to help further support the industry by:

- More pro-actively promoting the local music industry and providing greater publicity, visibility and exposure for smaller musical organizations
 - Networking with other cities
 - Increasing the visibility of music in Seattle at a national or international level
- Improving the amount of music education in the K-12 schools
- Improving community resources, including providing business-education and training for music industry people
- Reforming the tax structure (particularly to relieve the burden on small businesses)
- Reducing traffic congestion
- Proving additional performance spaces.